

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L USNATO 2202

E.O. 11652: ADS-DECLAS 12/31/76

TAGS: MCAP, NATO

SUBJECT: AD-70: FUNCTIONAL AND REGIONAL ANALYSIS OF DEFENSE
EXPENDITURES

REF: (A) USNATO 2141; (B) USNATO 1806

BEGIN SUMMARY: IS HAS JUST ISSUED ITS DRAFT FINANCIAL AND ECONOMIC INPUT FOR 1974 AD-70 SPRING REVIEW. INPUT IS TO BE DISCUSSED AT APRIL 26 MEETING OF AD HOC WG ON FUNCTIONAL AND REGIONAL ANALYSIS OF DEFENSE EXPENDITURES WITH A VIEW TO INCORPORATING A CONDENSED VERSION INTO 1974 AD-70 SPRING REPORT. IS WORKING PAPER, WHICH IS BASED ON NATIONAL REPLIES TO A SPECIAL QUESTIONNAIRE ON DEFENSE EXPENDITURES, SUFFERS FROM INCOMPLETENESS OR ABSENCE OF NATIONAL RESPONSES. MISSION QUESTIONS UTILITY OF INCLUDING IN AN AD-70 REPORT TO MINISTERS A SECTION ON DEFENSE RESOURCES BASED ON INCOMPLETE NATIONAL INPUTS. ACTION REQUESTED: WASHINGTON AGREEMENT TO MISSION ATTEMPT TO EXCLUDE SECTION ON DEFENSE RESOURCES IN 1974 AD-70 REPORT ON GROUNDS OF INADEQUACY. END SUMMARY.

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1. IS HAS JUST ISSUED DRAFT FINANCIAL AND ECONOMIC INPUT FOR 1974 AD-70 SPRING REVIEW (AC/281(DR)-WP(74)2, POUCHED TO WASHINGTON). IS DRAFT, WHICH IS BASED ON COUNTRY REPLIES TO SPECIAL QUESTIONNAIRE ON DEFENSE EXPENDITURES (AC/281(DR)-N

(73)2), PRESENTS BY REGION TRENDS (THROUGH 1976) IN EQUIPMENT EXPENDITURES; MAJOR EQUIPMENT EXPENDITURES ARE GROUPED FUNCTIONALLY FOR AD-70 PURPOSES. IS WORKING PAPER, IN ESSENCE, MAKES STATISTICAL COMPARISONS (INCLUDING SUPPORTING TABLES) OF CURRENT AND PLANNED MAJOR EQUIPMENT EXPENDITURES. WORKING PAPER ALSO INCLUDES A SECTION ON "ECONOMIC DEVELOPMENTS LIKELY TO HAVE A DIRECT BEARING ON RESOURCE AVAILABILITIES FOR DEFENSE."

2. MISSION NOTES THAT IS INPUT IS SERIOUSLY INCOMPLETE IN THAT ITS ASSESSMENT OF THE CENTRAL REGION DOES NOT TAKE INTO ACCOUNT MAJOR EQUIPMENT SPENDING OF CANADA, THE NETHERLANDS, AND THE US BECAUSE:

A. CANADA DID NOT REPLY TO THE SPECIAL QUESTIONNAIRE ON DEFENSE EXPENDITURES,

B. THE NETHERLANDS REPLY ONLY REPORTS THROUGH 1974, AND

C. THE US RESPONSE IS LIMITED TO A FUNCTIONAL BREAKOUT AND ONLY REPORTS THROUGH FY-1975.

ASSESSMENT OF SOUTHERN REGION IS ALSO HAMPERED BECAUSE GREECE HAS NOT YET REPLIED TO THE SPECIAL QUESTIONNAIRE. IN SHORT, IS EFFORT SUFFERS FROM INCOMPLETENESS OR TOTAL ABSENCE OF NATIONAL INPUTS.

3. IS DRAFT INPUT IS TO BE DISCUSSED AT APRIL 26 MEETING OF AD HOC WG ON FUNCTIONAL AND REGIONAL ANALYSIS OF DEFENSE EXPENDITURES, WITH A VIEW TO INCORPORATING A CONDENSED VERSION INTO THE 1974 AD-70 SPRING REPORT. UNLESS OTHERWISE INSTRUCTED, AT APRIL 26 MEETING, WE INTEND TO QUESTION UTILITY OF INCLUDING A SECTION ON "FINANCIAL AND ECONOMIC BASIS OF DEFENSE SPENDING" IN 1974 REPORT THAT DOES NOT TAKE ACCOUNT OF MAJOR EQUIPMENT SPENDING OF SEVERAL IMPORTANT ALLIES. CURRENT IS INPUT, WHICH WE RECOGNIZE WASHINGTON HAS NOT YET SEEN, CONFIRMS OUR SUSPICION THAT ON BASIS OF CURRENT CONFIDENTIAL

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NATIONAL INPUTS, NATO CANNOT PRESENT A MEANINGFUL PICTURE OF THE FUNCTIONAL DISTRIBUTION OF DEFENSE RESOURCES ON A REGIONAL BASIS. IF WASHINGTON FEELS 1974 AD-70 REPORT SHOULD GIVE COVERAGE, ALBEIT ON BASIS OF INADEQUATE DATA, TO THIS SUBJECT, WE WOULD APPRECIATE SUGGESTIONS ON HOW TO TACKLE THIS DIFFICULT CONCEPTUAL PROBLEM. WE REITERATE THAT IN OUR VIEW THERE IS LITTLE POINT IN FORWARDING TO MINISTERS INFORMATION ON TRENDS IN EQUIPMENT SPENDING BY REGION BASED ON INCOMPLETE STATISTICAL COMPARISONS. RUMSFELD

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